

## 【Third Quarter Financial Statements】

### (1) 【Balance Sheets】

(in thousand yen)

	Prior Year Quarter End (As of December 31, 2002)		Current Quarter End (As of December 31, 2003)		Prior Fiscal Year End - Condensed - (As of March 31, 2003)	
	Amount	%	Amount	%	Amount	%
(ASSETS)						
I Current Assets						
1 Cash	8,844,370		23,978,085		11,410,649	
2 Accounts Receivable	2,728,067		4,500,158		2,729,623	
3 Inventory	594,502		91,955		51,257	
4 Other current assets	832,593		477,870		1,173,554	
Total current assets	12,999,532	34.1	29,048,068	51.8	15,365,083	36.1
II Fixed Assets						
1 Tangible fixed assets						
(1) Building and structure	65,076		71,579		76,179	
(2) Machinery and equipment	18,418,479		21,669,964		20,697,130	
(3) Capitalized modems	2,971,928		1,645,414		2,702,529	
(4) Tools and furniture	215,227		320,415		200,103	
Total tangible fixed assets	21,670,710		23,707,372		23,675,941	
2 Intangible assets	2,521,206		2,422,697		2,508,510	
3 Investments and other assets	912,299		890,042		1,033,463	
Total fixed assets	25,104,215	65.9	27,020,112	48.2	27,217,914	63.9
TOTAL ASSETS	38,103,747	100.0	56,068,180	100.0	42,582,997	100.0

	Prior Year Quarter End (As of December 31, 2002)		Current Quarter End (As of December 31, 2003)		Prior Fiscal Year End - Condensed - (As of March 31, 2003)				
	Amount	%	Amount	%	Amount	%			
<b>(LIABILITIES)</b>									
<b>I Current Liabilities</b>									
1 Trade accounts payable	935,955		1,540,255		448,662				
2 Short-term loan	100,000		1,568,000		3,100,000				
3 Current portion of long-term debt	2,666,664		5,520,006		4,266,664				
4 Other accounts payable	1,042,432		1,635,959		1,049,215				
5 Accrued expenses	4,908,035		6,435,441		4,840,563				
6 Income taxes payable	5,265		6,839		7,020				
7 Current portion of capital lease obligations	3,866,133		5,684,766		4,389,376				
8 Current portion of installment obligations	1,362,771		1,408,772		1,403,513				
9 Stock purchase warrants	28,733		28,733		28,733				
10 Other current liabilities	37,563		287,521		25,730				
Total current liabilities		14,953,551	39.2		24,116,291	43.0		19,559,476	45.9
<b>II Long-term liabilities</b>									
1 Long-term debt	5,800,006		6,680,000		6,133,340				
2 Capital lease obligations, less current portion	8,882,138		10,016,496		9,656,118				
3 Installment obligations, less current portion	1,719,766		369,179		1,423,881				
4 Long-term other payables	363,825		254,100		323,400				
Total long-term liabilities		16,765,735	44.0		17,319,774	30.9		17,536,739	41.2
<b>TOTAL LIABILITIES</b>		31,719,286	83.2		41,436,065	73.9		37,096,215	87.1
<b>(SHAREHOLDERS' EQUITY)</b>									
<b>I Capital Shares</b>		10,528,290	27.6		13,617,690	24.3		10,528,290	24.7
<b>II Capital Surplus</b>									
1 Additional paid-in capital	9,253,290		14,178,090		9,253,290			9,253,290	
Total capital surplus		9,253,290	24.3		14,178,090	25.3		9,253,290	21.7
<b>III Retained Earnings (Accumulated Deficit)</b>									
1 Deficit at end of period	13,397,119		13,163,665		14,294,798			14,294,798	
Total retained earnings (accumulated deficit)		13,397,119	35.2		13,163,665	23.5		14,294,798	33.5
<b>TOTAL SHAREHOLDERS' EQUITY</b>		6,384,461	16.8		14,632,115	26.1		5,486,782	12.9
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		38,103,747	100.0		56,068,180	100.0		42,582,997	100.0

## (2) 【Third Quarter Statements of Operations】

(in thousand yen)

	Prior Year Third Quarter (Nine months ended December 31, 2002)		Current Third Quarter (Nine months ended December 31, 2003)		Prior Fiscal Year - Condensed - (Year ended March 31, 2003)	
	Amount	%	Amount	%	Amount	%
I Revenue	13,310,925	100.0	27,293,709	100.0	20,275,769	100.0
II Cost of revenue	11,544,146	86.7	18,631,419	68.3	16,699,002	82.4
Gross profit	1,766,779	13.3	8,662,290	31.7	3,576,767	17.6
III Selling, general and administrative expenses	5,766,935	43.3	6,423,338	23.5	7,923,048	39.0
Operating profit (loss)	4,000,156	30.0	2,238,951	8.2	4,346,281	21.4
IV Other income	17,529	0.1	19,659	0.1	35,880	0.2
V Other expenses	693,290	5.2	1,120,639	4.1	984,733	4.9
Recurring profit (loss)	4,675,917	35.1	1,137,971	4.2	5,295,134	26.1
VI Non-recurring loss	—		—		276,707	1.4
Income (loss) before income taxes	4,675,917	35.1	1,137,971	4.2	5,571,841	27.5
Income taxes	5,265	0.1	6,839	0.0	7,020	0.0
Net income (loss)	4,681,182	35.2	1,131,132	4.1	5,578,861	27.5
Accumulated deficit from prior period	8,715,937		14,294,798		8,715,937	
Deficit at end of period	13,397,119		13,163,665		14,294,798	

## (3) 【Third Quarter Statements of Cash Flows】

(in thousand yen)

	Prior Year Third Quarter (Nine months ended December 31, 2002)	Current Third Quarter (Nine months ended December 31, 2003)	Prior Fiscal Year - Condensed - (Year ended March 31, 2003)
	Amount	Amount	Amount
<b>I Cash Flows from Operating Activities</b>			
1 Income (loss) before income taxes	4,675,917	1,137,971	5,571,841
2 Depreciation	4,531,105	6,982,187	6,492,763
3 Amortization of intangible assets	353,093	524,031	628,912
4 Profit on sale of fixed assets	—	6,248	—
5 Interest income	1,361	264	1,594
6 Interest expenses	693,290	935,802	906,853
7 Issuance costs of new shares	—	96,662	—
8 Accounts receivable	1,707,972	1,770,535	1,709,528
9 Inventory	1,005,944	40,697	1,549,189
10 Other current assets	417,932	972,537	76,535
11 Investments and other assets	44,414	216,540	34,212
12 Trade accounts payable	1,678,644	1,091,593	2,165,937
13 Other accounts payable	289,201	598,927	266,584
14 Accrued expenses	3,227,969	2,448,102	2,592,629
15 Other current liabilities	20,371	261,790	8,537
16 Long-term other payables	1,155	69,300	46,200
Subtotal	1,851,040	13,379,099	2,527,946
17 Interest received	1,361	264	1,594
18 Interest paid	693,730	907,539	911,904
19 Payments of income taxes	5,010	7,020	5,010
Net cash provided by operating activities	1,153,661	12,464,805	1,612,626
<b>II Cash Flows from Investing Activities</b>			
1 Purchase of tangible assets	2,679,992	2,685,100	3,792,330
2 Acquisition of intangible assets	469,760	383,171	537,846
3 Acquisition of Japan Telecom's ADSL business	5,423,388	—	5,423,388
4 Purchase of investment securities	—	—	200,000
5 Proceeds from sales of fixed assets	—	18,804	—
6 Payments received on loan receivable	617	623	823
Net cash used in investing activities	8,572,523	3,048,844	9,952,741

	Prior Year Third Quarter (Nine months ended December 31, 2002)	Current Third Quarter (Nine months ended December 31, 2003)	Prior Fiscal Year - Condensed - (Year ended March 31, 2003)
	Amount	Amount	Amount
III Cash Flows from Financing activities			
1 Payments on capital lease obligations	2,297,091	3,869,622	3,402,082
2 Payments on installment obligations	878,129	1,064,443	1,218,940
3 Proceeds from short-term payable	100,000	—	3,100,000
4 Proceeds from long-term debt	8,000,000	4,900,000	10,000,000
5 Payments for short-term payable	100,000	1,532,000	100,000
6 Payments for long-term debt	199,998	3,199,998	266,664
7 Proceeds from share issuance	—	7,917,538	—
Net cash provided by financing activities	4,624,782	3,151,476	8,112,314
IV Net change in cash and cash equivalent	2,794,080	12,567,436	227,801
V Cash and cash equivalents at beginning of period	11,638,450	11,410,649	11,638,450
VI Cash and cash equivalent at end of period	8,844,370	23,978,085	11,410,649